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POLITICAL OUTLOOK FOR THE PHILIPPINE REPUBLIC DURING 1957

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 12 February 1957. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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POLITICAL OUTLOOK FOR THE PHILIPPINE REPUBLIC DURING 1957

THE PROBLEM

To estimate the probable developments in the Philippine political situation and in US-Philippine relations during 1957.

CONCLUSIONS

1. The Philippine government, under the leadership of President Magsaysay, continues to make some progress in dealing with its complex problems. Magsaysay retains his broad popular support and will almost certainly be re-elected in November 1957. Although the congress will probably be only slightly more favorable to Magsaysay than in 1953, he will be free of commitments to the Nacionalista old guard and will have a stronger voice in the selection of appointees in his government than he had in 1953. On balance, we believe his second term will show some improvement.

2. The US-Philippine base negotiations have placed US-Philippine relations under some strain. Until the base agree-

ment questions are settled they will provide a possible focal point for manifestations of Philippine nationalism, anti-Americanism, and opposition to Magsaysay. We believe the bulk of the Philippine population and most of the leaders will probably continue to recognize the necessity of reliance on the US for security and favor continued cooperation with the general line of US policy in the Far East. For the short term at least we believe it unlikely that the Philippines will take any action which would seriously jeopardize US military base rights. The long-term outlook is for the growth of nationalism, increased pressures for a more independent foreign policy, and a general loosening of ties with the US.

DISCUSSION

The Political Situation

3. President Magsaysay continues to command a large and enthusiastic following, particularly in rural areas. He has made

some progress toward fulfilling his campaign promises of land reform, rural economic development, and elimination of corruption in government, and his reputation for personal honesty remains unblemished.

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4. Despite his wide personal popularity, President Magsaysay has not succeeded in attaining control over existing party organizations or in establishing a firm political basis for effective national leadership. Because of commitments involved in his nomination by the Nacionalista Party in 1953, Magsaysay was forced to accept as appointees to many important posts, including his own cabinet, persons who were loyal to other political leaders and who, in many instances, were not in sympathy with his reform program. Furthermore, he has been unable to exert full control over the national bureaucracy or to exploit the political power inherent in it. In the absence of a group of trusted competent advisors within the government he has continued to rely primarily on a small group of long-time personal supporters who do not hold important posts in the government. In view of Magsaysay's limitations as an administrator and his inadequate grasp of complex economic and financial problems, his failure to select and rely on competent advisors is an important reason for the shortcomings of his government.

5. The most effective opposition to Magsaysay's administration has come from within the Nacionalista Party. Many of its old-guard leaders supported Magsaysay in the 1953 elections because they believed that he would win and that he could be controlled. However, Magsaysay has proved that he is not amenable to control. The old-guard leaders and the social and economic groups they represent, who see their interests threatened by Magsaysay's reform programs, have been able to thwart many of Magsaysay's reform efforts. They now fear that Magsaysay may be able to push his programs more vigorously during a second term. The principal anti-Magsaysay leaders, notably Senators Recto and Laurel, are backed by powerful sugar interests, many intellectuals, and wealthy landowning families who have traditionally ruled the Philippines. They control many members of the House of Representatives and an important part of the Manila press and radio.

6. In approaching the party nominations for the November 1957 presidential elections,

Magsaysay will be pitting his nationwide popularity against the political power and influence of old-guard conservative leaders. Political alignments for the campaign have not yet taken final shape. Recto, the leading exponent of anti-Americanism, has announced plans to seek the presidency and will probably form a new political party if necessary. However, Recto without Magsaysay's endorsement made an unexpectedly weak showing in the 1955 off-year Senate elections. Laurel would be a more serious opponent to Magsaysay, but he probably will not seek the nomination due to his age and poor health. In these circumstances, the old-guard conservatives may eventually support some younger man previously not associated closely with them, or throw in with Magsaysay for the time being and try to recapture control in 1961 when Magsaysay will not be eligible for re-election. None of the probable opposition political groupings or candidates has Magsaysay's vote-getting ability.

7. Despite old-guard opposition, Magsaysay will almost certainly win the Nacionalista Party nomination and possibly that of the Liberal Party as well. If the Liberal Party does not nominate Magsaysay, it may withdraw its candidate in his favor before the elections. In either case, Magsaysay will almost certainly defeat Recto or any other candidate put up against him.

8. Magsaysay's effectiveness during a second term would be enhanced if he were to fight for his program and force his opponents into the open. Although it is possible that he will do so on occasion, we believe he will try to avoid open political battle with his opponents and will make compromise deals with them to win their support. In so doing, Magsaysay would again be forced to accept a number of candidates for the senate and house who would not support his program. Moreover, he would probably have to promise some major posts in his administration to political leaders unsympathetic to his program. Nevertheless, Magsaysay's political bargaining position is stronger than in 1953. Although the congress will probably be only slightly more favorable to Magsaysay than in 1953, he will be free of commitments to the Nacionalista

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old guard and will have a stronger voice in the selection of appointees in his government than he had in 1953. On balance, we believe his second administration will show some improvement.

Communist Threat

9. The Philippine Communist Party (PKP) does not pose a significant threat to the government although the remnants of the Huk army, estimated to number about 600, continue to conduct sporadic raids and acts of violence. In addition to its military force, the PKP has an estimated 3,000 members. Its present policy is to emphasize "peaceful penetration" and to concentrate on such issues as anti-Americanism and neutralism. The PKP is not likely to play a major political role during the period of this estimate. It will continue to exploit existing irritants in US-Philippine relations and will probably make some progress in its tactics of political subversion, especially among labor, educational, and intellectual groups.

10. The Chinese Communist Party in the Philippines (CCP) is a separate organization from the PKP and operates among the estimated 400,000 Chinese residents in the Philippines. Most of these Chinese probably have no strong ideological convictions, although many of them are active in Taiwan-oriented groups. The CCP appears to have stepped up its activities during the last year and may have as many as 3,000 members. Its tactical aims are to exploit Philippine social and economic discrimination against the Chinese, to discredit Nationalist China, and to propagandize the achievements of Communist China. It has gained some influence over the Chinese school system and some support in the important Chinese business community.

Economic Prospects

11. The Philippine economy has maintained a substantial rate of growth over the past several years which shows no signs of slackening. Both gross national product and national income in real terms have increased an average of more than five percent per year over the past five years. Philippine de-

pendence on trade with the US has decreased slightly to 57 percent of exports and 60 percent of imports in the first half of 1956. During the same period, trade with Western Europe increased slightly to 21 percent of exports and 13 percent of imports. Japan's share of Philippine exports and imports also increased slightly to 15 and 10 percent respectively.

12. In order to continue economic development the government has resorted to increased deficit financing. Although US aid, which totaled about \$30 million in 1956, is making a substantial contribution to the economic development program and Japanese reparations payments will also help,* the prospect is for a further increase in government deficits. Taken in conjunction with other factors, deficit financing has created strong inflationary pressures and the price index increased four to five percent during the year ending June 1956, as against only 12 percent over the preceding six years. Although the threat of inflation will be a continuing problem, we believe the government will be able to avoid a serious economic crisis, at least during the period of this estimate. Consequently, we do not believe the immediate economic problems confronting the Philippines are likely to affect seriously the outcome of the elections.

13. Over the longer run, however, the Philippines will encounter serious economic problems. In addition to growing inflationary pressures, there is need for continued improvement in living standards and a more equitable distribution of economic benefits. Production and exports will have to be expanded and diversified to overcome the growing foreign trade deficits and the drain on gold and dollar reserves.

*The Japanese reparations agreement signed in May 1956 provides \$25 million per year in foreign capital goods and services for Philippine development over the next 10 years and \$30 million annually over the following 10 years. In addition, the Japanese government has agreed to facilitate private Japanese industrial loans to Filipinos to the amount of \$250 million.

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US-Philippine Relations

14. In the period immediately following independence, anticolonial and anti-Western sentiments prevalent in many other newly independent states in Asia did not appear in strength in the Philippines. The US was generally regarded as a trusted friend and protector, and the Philippines undertook significant obligations in support of free world interests in Asia. However, complications arose in US-Philippine relations from conflicts of commercial interests, Filipino disappointments over comparative levels of economic assistance, and from a number of political and psychological considerations.

15. During the past year there has been a considerable increase in the amount and virulence of outspoken anti-Americanism particularly in Manila and other urban centers. In large part this has been the work of anti-Magsaysay groups seeking to discredit the President and damage his chances for reelection by attacking him through his policy of close cooperation with the US. These attacks will continue and may increase in intensity during the election campaign, putting some additional strains on US-Philippine relations.

16. In any event, nationalist sentiment in the Philippines appears to be growing. This sentiment is evident primarily in the large cities and among the educated classes. Although it lacks the violent anticolonialism common in other Asian areas, it has generated pressures on the government to be more assertive in its claims against the US and to pursue a more independent foreign policy. The extent to which growing Philippine nationalism may be directed into anti-American channels during the election campaign, as well as over the longer run, will depend in large part on the reduction of specific causes of friction between the two countries.

17. A real clash between US requirements and Philippine conceptions of their sovereign

rights was revealed during the recently suspended base negotiations. Although the talks were complicated by the activities of anti-American and anti-Magsaysay members on the negotiating panel, difficult problems of principle and substance would still have to be resolved even if Magsaysay had full control of the negotiations. Until the base agreement questions are settled they will provide a possible focal point for manifestations of Philippine nationalism, anti-Americanism, and opposition to Magsaysay. The question of criminal jurisdiction especially will remain an active political issue.

18. Although anti-Americanism will probably subside from its present high levels, particularly if an early settlement is reached on the base issue and if Magsaysay wins the 1957 elections, we believe it will continue at a higher level than in the past. However, the bulk of the Philippine population and most of the leaders will probably continue to recognize the necessity of reliance on the US for security and to favor cooperation with the general line of US policy in the Far East. For the short term at least, we believe it unlikely that the Philippines will take any action which would seriously jeopardize US military base rights.

19. Neutralism, as a facet of anti-Americanism or of Philippine nationalism, has not yet taken hold in the Philippines. Although it may be discussed more openly and frequently during the election campaign, we do not believe it will become a major issue during the period of this estimate. If, however, the US should recognize Communist China or acquiesce in its admission to the UN, neutralist tendencies in the Philippines would probably increase.

20. In any case, we believe that, over the long run, the force of nationalism in the Philippines will continue to grow and that within the framework of dependence on the US there will be increased pressures for a more independent foreign policy and a general loosening of ties with the US.

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